B. CANADA’S ORPHAN WORKS REGIME

In 1988, as part of a major reform to its Copyright Act, Canada introduced a novel mechanism for dealing with the orphan works problem. Section 77 established a mechanism allowing prospective users of a work to obtain a license to use it from the Copyright Board when they cannot locate the owner. The section provides that “[w]here, on application to the Board by a person who wishes to obtain a licence to use [a published work] . . . in which copyright subsists, the Board is satisfied that the applicant has made reasonable efforts to locate the owner of the copyright and that the owner cannot be located, the Board may issue to the applicant a licence to [use the work].” Such license is non-exclusive and is subject to such terms and conditions as the Board may establish. If the Board issues such a license, the copyright owner may, no later than five years after the expiration of the license, collect the royalties fixed in the license or, in default of their payment, commence an action to recover them in a court of competent jurisdiction.

146. Copyright Act, R.S.C. 1985, c. C-42, s. 77.
147. Id. s. 77(1).
148. Id. s. 77(2).
149. Id. s. 77(3). The entire section reads as follows:

77. (1) Where, on application to the Board by a person who wishes to obtain a licence to use
   (a) a published work,
   (b) a fixation of a performer’s performance,
   (c) a published sound recording, or
   (d) a fixation of a communication signal

   in which copyright subsists, the Board is satisfied that the applicant has made reasonable efforts to locate the owner of the copyright and that the owner cannot be located, the Board may issue to the applicant a licence to do an act mentioned in section 3, 15, 18 or 21, as the case may be.

   (2) A licence issued under subsection (1) is non-exclusive and is subject to such terms and conditions as the Board may establish.

   (3) The owner of a copyright may, not later than five years after the expiration of a licence issued pursuant to subsection (1) in respect of the copyright, collect the royalties fixed in the licence or, in default of their payment, commence an action to recover them in a court of competent jurisdiction.

   (4) The Copyright Board may make regulations governing the issuance of licences under subsection (1).

Id. s. 77.
At first glance, this solution looks attractive, and appears to provide a pragmatic and balanced solution. This statutory mechanism recognizes that when the owner cannot be located, adhering to the permission-first rule would prevent works from being used for socially beneficial purposes, and that such an outcome is inconsistent with the purpose of the Copyright Act. Accordingly, it provides a solution by allowing the Copyright Board to issue a compulsory license that authorizes the use of a work when its owner cannot be located. However, a license will not be available unless the user made reasonable efforts to locate the owner. If the owner is locatable but refuses to negotiate or grant a license, no license will issue.\textsuperscript{150} Even if the owner does not respond to any request by the user, no license will issue, as long as the owner is locatable.\textsuperscript{151}

While the mechanism rewards the diligent user by granting a license, thereby immunizing him from any future claim by the owner should she emerge, it also considers the interests of the owner. The Board does not simply immunize the user from future liability. Rather, it fixes royalties that the users should pay, and may determine other terms and conditions. Although the owner cannot get the money as long as he is unlocatable, the mechanism provides that the owner, should he appear, and within five years after the expiry of the license, may collect the royalties from the user, and in the case of default of their payment, commence an action to recover them. Thus, rather than suing for copyright infringement (and prevailing in such a suit) and being subject to the standard three years limitation period beginning at the time of the reproduction, the owner only needs—if the user refuses to pay—to commence an action for a recovery of a debt, and can do that within a longer period, five years after the expiry of the license. The user, however, does not have to pay unless and until the owner demands payment, and therefore, in the not-unlikely event that the owner never shows up, the user does not have to pay anything while minimizing the risk of liability to zero. All in all, this mechanism seems to provide not only a pragmatic solution to the orphan works problem, but a solution that deviates as little as possible from the market mechanism, and from the bilateral relations that lie at the heart of copyright.\textsuperscript{152}

However, this solution only seems pragmatic until one considers it more carefully, and further, until one pays close attention to how the Board implements it. First, even though the statute may not strictly mandate this, the Board created a quasi-judicial procedure: not only must the user apply for

\textsuperscript{150} De Beer & Bouchard, supra note 145, at 226.
\textsuperscript{151} Id.
\textsuperscript{152} See supra Part III.
a license, she must also establish that the statutory requirements exist.153 This creates an apparent anomaly: whereas scores of commercially available and highly valuable works are licensed every day through streamlined simple procedures without ever involving anything that resembles a judicial procedure (consider iTunes), and whereas only a small number of them might ever be litigated, the use of orphan works, which are almost by definition works with very little commercial value, requires a much more costly quasi-judicial procedure. This seems to be a totally inefficient use of users’ private resources and of the Board’s public resources.

In addition to this fundamental anomaly, the Board’s implementation adds additional layers of complexity, which heighten the burden on the user. Since section 77(1) refers to a “published work,”154 the Board takes the view that it could not issue a license unless the user demonstrates that the work had indeed been published. On this basis, the Board refuses to issue licenses when applicants could not provide evidence that the work had been published. In one case the Canadian Centre for Architecture in 2004 wished to reproduce and display three photographs taken in 1955, 1957, and 1967 and found at the Public Archives of Canada, for the purpose of an exhibition entitled Les années 60: Montréal voit grand (“The 60’s: Montreal Thinks Big”).155 In another case the same year, the Office of the Lieutenant Governor of Québec wished to reproduce a photograph taken on the opening day of the November 1959 legislative session in a book on the history of lieutenant governors of Québec.156

Second, while the Act provides that the Board must be satisfied that the applicant has made reasonable efforts to locate the owner of the copyright and that the owner cannot be located, the Act does not specify what ought to satisfy the Board.157 Arguably, it would be open to the Board to adopt a very minimal threshold. For example, it could be enough for an applicant to fill an online form and click “I Agree” below a declaration that she made reasonable efforts to locate the owner and could not locate him, and if that seems too easy, a sworn declaration of the same could suffice to satisfy the Board. The Board, however, chose to require much more than that. In the

---

154. Copyright Act, R.S.C. 1985, c. C-42, s. 77(1) (Can.).
157. Copyright Act, R.S.C. 1985, c. C-42, s. 77(1).
past, the Board required applicants to file an affidavit detailing all of the steps undertaken to locate the copyright owner, in addition to other supporting documents.\footnote{158} Even though these requirements have been relaxed, the Board now requires much more than a declaration. According to De Beer \& Bouchard:

\begin{quote}
The Board generally expects an applicant to have consulted most of the repertoires of copyright licensing agencies and collective societies, as well as national libraries’ indices, copyright offices’ registration records, publishing houses and corporate records. Comments made to the US Copyright Office indicated that users sometimes search on the internet, in old phone books and through death certificates and estate records. An applicant will be required to extend the search beyond Canadian borders if it is probable that the owner of the copyright may be located abroad.\footnote{159}
\end{quote}

Since the Act itself provides very little guidance on how the regime should work, the way the Board perceives its role is paramount. The Board emphasizes that the Act uses the terms “may issue a licence,” and not “shall issue,” giving it wide discretion.\footnote{160} According to the Board, it “is not under a strict obligation to issue a licence even if all the conditions have been met.”\footnote{161} Apparently, the Board does not consider itself as a facilitator, but as a custodian, “stepping into the shoes of the absent copyright owner.”\footnote{162} This means that the Board does not limit its discretion to preventing possible and foreseeable prejudices to the unrepresented party, as courts in ex parte proceedings normally do, but instead, the Board takes upon itself to represent the interests of the unlocatable owner.\footnote{163} This approach inevitably complicates the mechanism. Although the Board may not usually conduct a formal hearing, it may deliberate, and it may issue a reasoned decision. In addition, the Board may refuse to grant a license not because the owner was actually locatable, but because the Board concluded that the use does not actually infringe any exclusive right of the owner and therefore no license is necessary and issuing one would be ultra vires the power of the Board.\footnote{164}

\begin{footnotes}
\footnote{158} See De Beer \& Bouchard, \textit{supra} note 145, at 220–31 (describing the various requirements).
\footnote{159} \textit{Id.} at 228.
\footnote{161} \textit{Id.}
\footnote{162} \textit{Id.}
\footnote{163} De Beer \& Bouchard, \textit{supra} note 145, at 230.
\footnote{164} \textit{Id.} at 223.
\end{footnotes}
Sometimes, the Board members may disagree with each other, and a written decision with a majority and dissenting opinions would issue. All of this is costly.

The record of decisions made under section 77 suggests that in practice the mechanism is nothing but an esoteric phenomenon. De Beer & Bouchard report that during the period between 1990 (after section 77 came into force) and 2008–2009 the Board opened 441 files pertaining roughly to 12,640 different works. Out of these applications, 52.2% resulted in a decision (by the end of 2008, the Board granted 230 licenses and denied 5 applications), in 22.2% of the cases the owner was found, 16.3% of the applications were withdrawn, while 8.6% were not followed up. On average, then, the Board granted at least 12 licenses per year. The total license fees set by the Board during the first 18 years of the regime was just under C$70,000 (Canadian dollars). The figure excludes some types of licenses, estimated to have generated royalties not exceeding a few thousand Canadian dollars. Assuming that the total figure is C$75,000 (or C$4,167 annual average), the average license fee for each license was C$326. The average is skewed upwards, because “65% of applicants sought to use only 1 work, 24% applied to use between 2 and 10 works and 7% applied to use between 11 and 100. Some applicants have sought licenses for scores of works at the same time, while in a handful of cases, applications were made for a license or licenses covering thousands of works.”

It is impossible, of course, to know how many orphan works were copied in Canada without obtaining a license from the Board (either because users are ignorant of the mechanism, or prefer risking liability over incurring the cost of applying and complying with a license), or how many uses were forgone despite the ability to obtain such a license (either because users are ignorant of the mechanism, or because they prefer foregoing the use over incurring the cost of applying and complying with a license). Yet the record

166. The report is not entirely clear about the exact period. The authors state: “The cut-off date for analysis is the end of the 2008 calendar year, although some 2009 data has been included where available and appropriate.” De Beer & Bouchard, supra note 145, at 242.
167. Id. at 242. A significant amount of these applications pertained to copying of architectural plans in municipalities’ archives (needed, for example, for building permits). In 2007, the Board concluded that no license is needed to copy those. Id. at 242 n.127.
168. Id. at 243–44.
169. Id. at 251.
170. Id.
171. Id. at 242–43.
so far makes it very difficult to call the section 77 mechanism a success story. Common sense strongly suggests that an average of twelve licenses per year represents a small droplet in a bucket of the actual or potential uses of orphan works in an economy of the size of Canada. The mechanism presumably has been beneficial for the applicants who obtained licenses, yet one cannot help but wonder whether the mechanism is worth preserving. The costs of maintaining the regime (for the applicants and for Canadian taxpayers) likely exceed the amount of license fees that it has generated, and even the cost of applying and processing a license likely exceeds the average license fee. It could be suggested that streamlining the procedure and increasing awareness would lead to wider utilization of the mechanism, but the very low adoption rate likely reflects a more endemic problem. It is possible that, almost by definition, the cost of the mechanism would be higher than the license fees that it would generate, no matter how streamlined the procedure is and regardless of the rate of the license fees.\textsuperscript{172} That is because the mechanism ignores the root cause of the orphan works problem: the fact that the cost of maintaining themselves locatable exceeds the license fees that owners expect to earn. If it is inefficient for owners to administer their rights under these conditions, it is unclear why the Board would be able to do that at a lower cost.

If the Canadian orphan works regime has not and cannot really provide any real solution to the orphan works problem, one cannot help but wonder what was the point in adopting and what is the point in maintaining it. Possibly, the answer is that rather than solving the orphan works problem, the purpose of the Canadian mechanism is to enshrine the dogma. Although, collaterally, in some cases, with the help of the Board, applicants were eventually able to locate the owners,\textsuperscript{173} this is not the goal of the mechanism. Nor is there any evidence that where licenses were granted the money was

\textsuperscript{172} The license fees set by the Board are probably excessive. First, according to De Beer & Bouchard, “[t]he Board often asks collective societies for up-to-date information on the price they charge to licence their own repertoire for proposed uses of particular types of works. In markets where collective administration does not exist, it is often possible to determine a generally recognised market practice.” \textit{Id.} at 235. Since the prices that are set by collective societies often reflect their monopolistic position and absence of competition, using their prices are a poor proxy for the license fees that an owner and user would agree on in an arms-length competitive negotiations. Second, using prices set for non-orphan works as a proxy for the price of orphan works is misguided because, as noted above, the reason why the work is orphan is that the owner does not expect to earn license fees that exceed the cost of licensing. That is, rather than relying on the revealed preferences of other copyright owners, the Board should have relied on the preferences of the copyright owner, who effectively revealed that she does not expect to earn any meaningful license fees.

\textsuperscript{173} \textit{Id.} at 243.
actually collected by the owners. The mechanism does not solve the orphan works problem in the sense of matching between users and owners. Instead, the mechanism offers users that are either extremely risk averse or are devote believers in the copyright dogma an ability to obtain indulgence, while entrenching the notion that using work is a sin, and any benefit derived from it is sinful.

The clearest indication that the section 77 mechanism is—or at least has become—an instrument for the sale of indulgences is the Board’s controversial practice of ordering licensees to pay license fees to a collecting society.174 Under section 77(3):

The owner of a copyright may, not later than five years after the expiration of a licence issued pursuant to subsection (1) in respect of the copyright, collect the royalties fixed in the license or, in default of their payment, commence an action to recover them in a court of competent jurisdiction.175

The implication is that a user who successfully applies for a license becomes immune from an infringement action, and is only liable to pay the license fees determined by the Board if, and only if, the copyright owner emerges within five years after the expiry of the license. If the owner never shows up, as might be expected (or shows up later than five years after the expiry of the license), the user will not be required to pay anything, will be liable for nothing, and will be under no obligation to share the benefit arising from using the work. Nor does the user have to hold the license fees in trust or pay an escrow. The owner, in return, benefits from an extended limitation period, and from an ability to recover the license fees in an expeditious process (instead of suing for infringement) should the user refuse to pay the prescribed fees.

Despite what seems to be clear direction from Parliament that the payment is completely contingent upon the owner’s emergence within five years, the Board decided to order applicants to pay copyright collectives on a non-contingent basis, immediately upon the issuance of a license.176 The Board does not even require the copyright collective to hold the license fees in trust (it did so in the past), but allows the collective to use the money as it sees fit, as long as the collective undertakes to compensate the owner if it becomes necessary.177

174. Id. at 236.
175. Copyright Act, R.S.C. 1985, c. C-42, s. 77(1) (Can.).
176. See De Beer & Bouchard, supra note 145, at 236.
177. Id.
What justifies such a radical shift from the mechanism contemplated by Parliament (or, perhaps more precisely, such a subversion of that mechanism)? De Beer & Bouchard mention the following rationales: (1) anecdotal evidence that involving collective societies in the process increases the likelihood that royalties will eventually reach the true copyright owner; (2) the possibility that it might be easier for copyright owners to collect owing amounts from a collective than from the user who might disappear; and (3) the potential to help collective societies defray some of the costs that they incur in cooperating with the Board on section 77 applications.178

These arguments are not convincing. While it seems likely that collective societies have information that can facilitate locating copyright owners, it does not follow that the collective should get paid when people use works of owners who never authorized the collective to license on their behalf. By definition, an orphan work cannot be part of the collective society’s repertoire: if it were, it would not be an orphan work. At most, the fact that collecting societies might possess information that might facilitate locating owners may justify making the data that collectives have available to the public.179 Similarly, the fact that sometimes the owner might find it easier to collect the money from a collective than from the user is not self-evident, and even if it were, does not justify departure from what Parliament had contemplated. In fact, the fact that users who apply for a section 77 license may practically not pay anything is not a bug of the mechanism, but a feature, because it encourages users to apply a license. The Board’s decision to require immediate upfront payment to a collective society punishes the very few applicants who actually go into the trouble and cost of applying for a section 77 license.180

Bouchard, who is also the Copyright Board’s General Counsel, in a recent paper offered additional, and more forthcoming, justifications for the

178. Id. at 238.
179. In fact, under sections 67 and 70.13 of the Canadian Copyright Act, collective societies must answer within a reasonable time all reasonable requests from the public for information about their repertoire of works. Copyright Act, R.S.C. 1985, c. C-42, s. 67, 70.13 (Can.).
180. Theoretically, if there is no statutory basis for the Board’s decision to order upfront payment to a collecting society, such an order could be set aside by the Federal Court of Appeal following an application for judicial review, see Federal Courts Act, R.S.C. 1985, c. F-7, s. 28(1)(j) (Can.). Realistically, such an application for judicial review seems very unlikely, as long as the license fees that the Board orders to pay are not excessively high, because a user who is willing to incur the cost of judicial review is probably better off not seeking a license in the first place and risk incurring the cost of litigation should the copyright owner ever emerge.
decision to order applicants pay collective societies. These justifications reflect the view of the user as a sinner, and betray the Board’s allegiance to the copyright dogma. Bouchard explains that the while the Board acknowledges that non-contingent royalties payable to a collective society are controversial, the Board’s position is that the user must generally be required to pay because the Board “does not believe that it should be in the business of issuing free insurance policies against prosecutions for violation of copyright.” He explains that the Board compares the user to a defendant in a class action who, after being found liable, may be disgorged of the surplus unclaimed by the class, a comparison that reveals how the Board treats the user as a wrongdoer whose activities should be discouraged, not facilitated. Finally, he notes that the Board relies on the concept of cy pres in trust law, whereby a court may order that property be used for a purpose that is as close as possible to the use originally intended if it becomes impossible to carry out the original purpose. Even though Parliament clearly contemplated that if the owner does not emerge the user can keep the surplus, the Board views disgorging the user of this surplus as a closer purpose because “given the choice, the unlocatable copyright owner would prefer that the royalties be paid to a group that represents interests similar to those of the owner than to see the user take advantage of the owner’s copyright for free,” and “when a protected use of a protected work is contemplated, the payment of royalties should be the norm, not the opposite.”

These statements present some of the clearest articulations of the copyright dogma. It is far from obvious that the average copyright owner would rather funnel such fees to benefit other authors than be retained by the user. In fact, one could assume that many owners might actually be quite happy, if not thankful, if someone showed interest in their works after they ceased to be commercially viable and exhumed them from oblivion. The fact that the Board unequivocally assumes that the average copyright owner

182. Id. at 153.
183. Id.
184. Id.
185. Id.
186. Id. at 154.
187. Also note the subtle reference to the beneficiaries as “authors” rather than “owners” even though the main beneficiaries of fees collected by collecting societies, other than the societies themselves, tend to be publishers, not authors.
would a priori prefer another owner over the user reflects the underlying view that any unpaid use is inherently sinful. Effectively, by requiring users who apply for a license to pay a collective society, the Board has torn apart the essential feature of copyright as a set of bilateral relationships between owners and users, and created, without any statutory mandate and contrary to the mechanism contemplated by Parliament, an extended collective licensing mechanism. The merit of that mechanism is discussed in the next Section.